

Ionik Announces Record Fourth Quarter and Fiscal 2023 Results

Record Quarterly Adjusted EBITDA¹ of \$5.0 million in Q4 - Year-over-year growth of 27.1% and quarter-over-quarter growth of 34.8%

Record Fiscal 2023 Revenue of \$140.6 million - Growth of 43.3% over previous 12 months

Record Fiscal 2023 Adjusted EBITDA¹ of \$14.9 million - 51.3% growth compared to \$9.8 million in the prior 12 months

(All figures in US dollars, unless otherwise indicated)

Toronto, Ontario--(Newsfile Corp. - April 29, 2024) - PopReach Corporation (TSXV: INIK) (OTCQX: INIKF) (dba "**Ionik**", or the "**Company**"), a data-driven performance marketing technology company, announced its financial results for the three and twelve months ended December 31, 2023.

Fiscal 2023 Annual Financial Highlights

- Record revenue of \$140.6 million during its fiscal year 2023, as compared to \$98.1 million for the prior twelve months ended December 31, 2022, an increase of 43.3%. Revenue growth was primarily driven by the acquisitions of Schiefer Media, Inc. (SCS) and OpenMoves, LLC in Q2 and S44 LLC ("**SHIFT44**") in Q4.
- Record gross profit of \$55.5 million in its fiscal year 2023 (\$38.6 million for the prior twelve months), representing a 43.7% increase from the comparable period in the prior year, driven by the increase in revenue.
- Gross margin percentage of 39.5% in fiscal year 2023 (39.4% for the prior twelve months).
- Record Adjusted EBITDA¹ of \$14.9 million (\$9.8 million for the prior twelve months), an increase of 51.3%. Adjusted EBITDA growth was predominantly related to the three 2023 acquisitions as well as operating expense reductions.

Financial Highlights for the Fourth Quarter 2023

- Revenue of \$38.5 million, an increase of 12.7% versus \$34.2 million for the prior quarter with growth driven by the acquisition of SHIFT44 in November 2023.
- Gross profit of \$17.5 million (45.3% margin), compared to \$12.9 million (37.8% margin) for the prior quarter and \$14.8 million (33.3% margin) for the same period of 2022 ("**Q4 2022**").
- Adjusted EBITDA¹ of \$5.0 million, compared to \$3.7 million for the prior quarter, with growth derived from 2023 acquisitions.
- Adjusted Free Cash Flow¹ of \$4.8 million (95% Adjusted Free Cash Flow conversion rate¹), compared to \$1.9 million (52% Adjusted Free Cash Flow conversion rate¹) for the prior quarter and \$3.8 million (95% Adjusted Free Cash Flow conversion rate¹) for Q4 2022.
- Net loss after tax from continuing operations of \$44.7 million, versus \$2.3 million net loss for the prior quarter and \$14.7 million net loss for Q4 2022. The increase in net loss was primarily driven by a \$41.3 million impairment of intangible assets and goodwill recorded in the fourth quarter 2023, compared to a \$14.3 million impairment charge in the previous year.

- Cash as at December 31, 2023 was \$7.4 million compared to \$8.9 million at September 30, 2023, and \$7.8 million at December 31, 2022. During the three and twelve months ended December 31, 2023 the Company generated cash flow from operations of \$2.0 million and \$8.5 million respectively. At December 31, 2023, the Company had not drawn on its revolving facility of \$10.0 million and had available to it \$30.8 million of its \$105.0 million term loan facility. Management believes that its current capital position is sufficient to execute its current business and operational strategies.
- Total undiscounted debt as at December 31, 2023 was \$98.0 million, including \$70.0 million of senior lender debt, \$26.5 million of convertible debt, and \$1.5 million in a vendor take-back loan, compared to \$65.6 million in total debt as at September 30, 2023. The increase resulted from \$17.75 million drawn on the senior debt term facility and \$16.75 million of convertible debentures to finance the SHIFT44 acquisition, net of principal payments made on senior lender debt in the current quarter.
- Ionik announced the sale of substantially all of its mobile games portfolio on April 29, 2024 (see significant developments below), which has been recorded as discontinued operations in the fourth quarter results. Revenue from discontinued operations was \$3.1 million for the quarter and \$14.2 million for fiscal 2023. Adjusted EBITDA¹ for discontinued operations was \$0.2 million for the quarter and \$1.3 million for fiscal 2023.

¹Please refer to "Non-IFRS Measures" section of this press release

Ted Hastings, Ionik's CEO, commented, "Fiscal 2023 was a transformational year as Ionik went through a rebranding to better align our Company and focus on being a data-driven performance marketing technology company. We completed three strategic acquisitions, delivered \$14.9 million in Adjusted EBITDA, secured a new syndicated debt facility of \$115.0 million, generated \$8.5 million in cash from operations and made significant progress on the integration of our series of acquisitions. We are enthusiastic about our outlook for 2024. With our cash on hand, bolstered by the recent sale of the PopReach Games business, and capacity on our operating line and syndicated debt facility, we are well positioned to continue taking advantage of strategic opportunities."

Significant developments for the three months ended December 31, 2023 and subsequent to quarter end

- On November 20, 2023, the Company acquired substantially all of the assets of SHIFT44, a first party data acquisition, lead generation and performance marketing platform, for an aggregate purchase price of approximately \$40.0 million.
- On April 29, 2024, the Company announced the sale of substantially all of its mobile games portfolio including its subsidiary, PopReach Technologies Private Limited, a live operations games studio located in Bangalore, India to Phoenix Games Holdings UK Ltd. for a total aggregate purchase price of up to \$9.8 million.

2024 Outlook

Ionik expects to achieve record revenue and Adjusted EBITDA¹ in 2024 through a combination of organic and inorganic topline growth as well as continued reduction of operating expenses and gross margin expansion as acquisitions are fully integrated. The Company is now well positioned from a geographical coverage perspective and with its expansive product and services suite to become a leading trusted full service advertising platform.

The Company's key goals for 2024 include:

- Thoughtful integration of our acquired companies including growing our consolidated first party data asset

- Continue generating cash from operations to pay down debt and redeploy as accretive and strategic opportunities are identified, evaluated and executed upon
- Build awareness in the capital markets by increasing engagement with the investment community and evaluating opportunities for increasing shareholder value

Non-IFRS Measures

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). However, the Company considers certain non-IFRS financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted EBITDA" and "Adjusted Free Cash Flow".

Adjusted EBITDA and Adjusted Free Cash Flow

Consolidated adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") is a non-IFRS measure of financial performance. Company management defines Adjusted EBITDA as IFRS Net income (loss) adding back finance costs, income taxes, depreciation and amortization, gain/loss on disposal of assets and extinguishment of loans, fair value gain/loss on financial liabilities and modification/extinguishment on loans, and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, foreign exchange gains/losses, and other extraordinary one-time expenses, such as transaction costs and other severance and restructuring costs. See reconciliation of Adjusted EBITDA in the table below.

Company management defines "**Adjusted Free Cash Flow**" as Adjusted EBITDA less capital expenditures, such as acquisition of property and equipment and additions to intangibles for capitalized development costs, and income taxes paid during the period. Similarly, Company management defines "**Adjusted Free Cash Flow conversion rate**" as Adjusted Free Cash Flow divided by Adjusted EBITDA. See reconciliation of Adjusted Free Cash Flow in the table below.

The presentation of these non-IFRS financial measures are not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS and may be different from non-IFRS financial measures used by other companies.

Management believes Adjusted EBITDA and Adjusted Free Cash Flow are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash and extraordinary one-time items.

The following tables presents the Company's calculation of Adjusted EBITDA and Adjusted Free Cash Flow for each period:

	For the three months ended			
	December	September	June	March
	31, 2023	30, 2023	30, 2023	31, 2023
Net loss	\$ (44,743)	\$ (2,333)	\$ (4,849)	\$ (4,270)
Add:				
Finance costs	2,332	2,024	3,329	1,239
Income tax expense (recovery)	(499)	105	40	78
Depreciation and amortization	3,589	3,328	3,176	2,827
Impairment loss on intangibles and goodwill	41,270	—	—	—
Loss (gain) on disposal of assets	8	(8)	—	—
Loss on modification/extinguishment of loan	1,691	—	1,129	1,782
Share-based compensation expense	494	242	296	400
Extraordinary one-time expenses	823	280	410	173
Foreign exchange loss	75	100	92	240
Adjusted EBITDA	\$ 5,040	\$ 3,738	\$ 3,623	\$ 2,469
Less:				
Acquisition of property and equipment	(2)	(19)	(36)	(22)
Additions to intangible assets	(251)	(456)	(150)	(151)
Taxes paid	(21)	(1,334)	(19)	—
Adjusted Free Cash Flow	\$ 4,766	\$ 1,929	\$ 3,418	\$ 2,296

Table 1

To view an enhanced version of this graphic, please visit:

https://images.newsfilecorp.com/files/6563/207184_c4794715749f1990_001full.jpg

	For the three months ended			
	December	September	June	March
	31, 2022	30, 2022	30, 2022	31, 2022
Net loss	\$ (14,748)	\$ (1,049)	\$ (922)	\$ (820)
Add:				
Finance costs	1,246	666	614	688
Income tax expense (recovery)	564	254	(330)	(672)
Depreciation and amortization	2,518	1,982	1,670	1,718
Impairment loss on intangibles and goodwill	14,345	—	—	—
Fair value loss (gain) on financial liabilities	217	(33)	(5)	—
Loss on extinguishment of loan	—	—	1,039	—
Share-based compensation expense	386	353	131	—
Extraordinary one-time expenses	187	245	469	518
Foreign exchange losses (gains)	(130)	(100)	(141)	(37)
Loan forgiveness	(617)	—	—	—
Non-recurring income	(2)	—	—	(378)
Adjusted EBITDA	\$ 3,966	\$ 2,318	\$ 2,525	\$ 1,017
Less:				
Acquisition of property and equipment	(6)	(10)	(7)	(15)
Additions to intangible assets	(149)	(124)	—	—
Taxes paid	(44)	—	(484)	—
Adjusted Free Cash Flow	\$ 3,767	\$ 2,184	\$ 2,034	\$ 1,002

Table 2

To view an enhanced version of this graphic, please visit:

https://images.newsfilecorp.com/files/6563/207184_c4794715749f1990_002full.jpg

Financial Statements and MD&A

Ionik's Financial Statements for the three months and twelve months ended December 31, 2023, and Management's Discussion and Analysis for the same period, are posted on its corporate website at www.ionikgroup.com and available on the Company's profile on SEDAR+ at www.sedarplus.ca.

About Ionik

Ionik, a Tier 1 Issuer on the TSX Venture Exchange, with shares also trading on the OTCQX Best Market, is a data-driven performance marketing technology company focused on assembling the most effective and complete suite of advertising, marketing and monetization solutions for brands, advertisers and publishers while building an extensive proprietary repository of opted-in first party data.

Additional information about the Company is available at www.sedarplus.ca.

PopReach Corporation (dba Ionik)

Sean Peasgood

Investor Relations

(647) 777-7564

Sean@SophicCapital.com

Lois Norris

CFO

(416) 583-5918

invest@popreach.com

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Statement Regarding Forward-Looking Information

Certain information in this news release constitutes forward-looking statements and forward-looking information under applicable Canadian securities legislation (collectively, "forward-looking information"). Forward-looking information includes, but is not limited to, statements with respect to and the business, financials and operations of the Company. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Forward looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements and future events to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the public documents of the Company available at www.sedarplus.ca. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Investors are cautioned that undue reliance should not be placed on any such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.



To view the source version of this press release, please visit

<https://www.newsfilecorp.com/release/207184>